

Chair John Marty
Senate Finance Committee
3235 Senate Office Bldg.
Saint Paul, MN 55155

Ranking Member Eric Pratt
Senate Finance Committee
2217 Senate Office Bldg.
Saint Paul, MN 55155

April 24, 2025

Dear Chair Marty and Ranking Member Pratt,

On behalf of the Department of Employment and Economic Development (DEED), I am writing to provide feedback on the Senate Jobs and Economic Development Committee omnibus bill, SF1832 – 1st engrossment.

I want to extend my gratitude to the members of the Senate Jobs Committee for their work in crafting a budget and to the members of the Senate Finance Committee for your review and consideration of its provisions. Governor Walz and Lieutenant Governor Flanagan have proposed a reasonable and measured budget that includes responsible reductions to help address the projected budgetary imbalance in the FY28-29 biennium, coupled with targeted investments to help address the state's key challenges.

Thank you for including several important provisions that will support DEED in its mission to empower the growth of a Minnesota economy that works for everyone. Those include:

- The operating adjustment at the level recommended by the Governor so DEED can continue providing high quality services.
- Modifications to the Minnesota Forward Fund, which will catalyze large-scale expansion projects.
- Technical corrections, which will ensure existing appropriations and programs function as the legislature intended.
- Updates to the Minnesota Job Skills Partnership statute, helping higher education institutions deliver impactful training services.
- Alignment of the State Services for the Blind statute with federal statute to ensure consistency.

That said, we look forward to continuing to work together to find ways to include critical investments in programs that help address our statewide workforce shortage. These include:

- The Service to Success Initiative, which will help promote public service opportunities and develop career pathways for participants in high-wage, high-demand sectors upon completion of their public service.
- The Drive for 5 Workforce Initiative, providing training for workers in five of Minnesota's most in-demand sectors while also connecting employers to new trainees.
- Increases of \$5 million each year from the Workforce Development Fund for Vocational Rehabilitation Services, which faces a budget shortfall. Additional funding is necessary to safeguard essential services helping people with disabilities to pursue satisfying employment and independent living.

Targeted reductions from the general fund in several programs over the next two biennia are also needed to maintain fiscal responsibility:

- Greater Minnesota Business Development Public Infrastructure - \$2,287,000/yr
- Host Community Economic Development Grant Program - \$750,000/yr
- Emerging Entrepreneur Loan Program - \$500,000/yr
- Small Business Assistance Partnership Program – \$1,000,000/yr
- Contaminated Site Cleanup and Investigation Grant Program - \$750,000/yr
- Job Creation Fund
 - \$3,000,000 – FY26
 - \$3,223,000 – FY27
 - \$2,400,000 – FY28
 - \$2,400,000 – FY29
- Individual Placement and Supports - \$1,000,000/yr
- Pathways to Prosperity Grant Program - \$1,000,000/yr
- Redevelopment Grant Program - \$1,000,000/yr

Lastly, we have feedback on some of the policy provisions included in the bill:

- Article 1, Sec. 1 – Administrative funds; This provision would not allow administrative funds throughout the bill unless affirmatively indicated for a particular program. DEED needs administrative funds in order to ensure proper oversight of taxpayer dollars, provide technical assistance to grantees, monitor appropriations, and supply timely and accurate information to the legislature. Limiting administrative funds that DEED would otherwise receive hampers our ability to do all of these things at the appropriate level.

- Article 1, Sec. 4 – Grantee Evaluations; Report to Legislature: The March 2025 Office of Legislative Auditor report, “Department of Employment and Economic Development Grants Management,” evaluated DEED’s grantmaking process from 2022-23. The report said that DEED should “build on the required performance metrics to establish meaningful and measurable performance goals for the workforce grant programs.” The Grantee Evaluations provision in SF1832 only adds additional metrics, not performance goals. In addition, there are technicalities of the provision that would not meaningfully track progress. Clause 4 requires DEED to track the amount of other state and federal grants that a nonprofit receives. We take this to mean awards across all different topic areas (e.g. housing, health, education, etc.). Then, that same clause is used to calculate a nonprofit’s placement effectiveness. Establishing performance goals is a task that will take thoughtful planning and communication between DEED, the legislature, and our various workforce partners in order to accurately capture the diversity of services provided and individuals served.
- Article 6, sec. 4 – Modifications to Unemployment Insurance available for suitable employment statute: The statute is already written appropriately to do what the legislature appears to be intending. DEED already administers the provision to accommodate remote work search. Additionally, the language from 83.18-83.20 adds confusion to a statute that is already administrable. For example, it is unclear what then happens to an applicant who is unavailable for in-person interview or how quickly a person must be available for an in-person interview.

In closing, I would again like to thank Chair Marty, Vice Chair Frentz, Ranking Member Pratt, and the entire committee for your long-standing support and partnership.

Please do not hesitate to contact me or Director of Government Relations, Deven Bowdry (deven.bowdry@state.mn.us) with any questions.

With warm regards,



Matt Varilek
Commissioner